REVIEW OF THE PROGRAMS AND POLICIES OF THE ECONOMIC DEVELOPMENT ADMINISTRATION

(99-18)

HEARING

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

OF THE

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

MARCH 19, 1985

Printed for the use of the Committee on Public Works and Transportation

U.S. GOVERNMENT PRINTING OFFICE

51-216 O WASHINGTON : 1985

H641-40

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REVIEW OF THE PROGRAMS AND POLICIES OF THE ECONOMIC DEVELOPMENT ADMINISTRATION

TUESDAY, MARCH 19, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 11:06 a.m., in room 2167, Rayburn House Office Building, Hon. Henry J. Nowak (chairman of the subcommittee) presiding.

Present: Representatives Nowak, Visclosky, Oberstar, Wise, Clinger, Boehlert, Gallo, and Bentley.

Mr. NOWAK. The Subcommittee on Economic Development will please come to order.

Today, as part of its continuing oversight responsibilities, the subcommittee is meeting to receive testimony from the Honorable J. Bonnie Newman, Assistant Secretary for Economic Development, on the conduct of programs under the jurisdiction of the Economic Development Administration.

Specifically, we want to examine the Agency's accomplishments of the past fiscal year, 1984, and its plans, initiatives and goals for the current fiscal year, 1985, in light of the President's rescission request.

I also, on behalf of my colleagues would like to express to you, Madam Secretary, our sincerest best wishes for you and your new position, and our hopes that your successor will prove to be as effective and cooperative as you have proven to be.

I think I can safely say that we will miss you and miss your stewardship of the Agency, and I am sure your colleagues at the Agency will miss you as well.

We are concerned about the conduct of the programs and the timeliness of the Agency's approval of urgently needed economic development assistance to hard-pressed communities who have waited long for funds needed to be released to create jobs and stimulate local economies.

As a matter of record, this Administration not only has proven somewhat hostile to EDA, but intends to terminate the Agency. We hope the Administration, however, again will soon learn that Congress has other plans. Congress intends the Federal Government to maintain a presence in, and to make a contribution to, local economic development, and at least for the time being EDA is that vehicle.

We understand it to be a difficult role, perhaps a very difficult role, for the EDA Administrator to carry out the Administration's intent in the face of opposition and opposite actions by the Congress. There must be an acknowledgement and an understanding that there is a Federal role in economic development and that there will be a Federal economic development role in the coming fiscal year. The program should be carried out not only as provided by the law, but also in the spirit and intent in which the programs were enacted.

We meet in an arena of differences of opinion over the future of this agency, how it should be conducted, and the role for economic development in the framework of the Federal Government. Time and time again, the Administration has made clear its views on the future of EDA. Time and time again, Congress has stated with equal clarity and forcefulness the view that EDA is to be retained, funded to be sure at a reduced level, but with programs intact throughout the current fiscal year.

It is apparent to those of us close to the EDA scene that the morale in the Agency has been somewhat battered. Many enthusiastic employees of the Agency, and highly qualified ones, have been literally driven out by uncertainty of their future status.

The subcommittee will want to know at what point the Administration will recognize the economic necessities and the need to revitalize what we consider to be an effective weapon in the war against unemployment, the Economic Development Administration.

We would like to know the plans of the Administration for follow-on programs for economic development, to close the gaps between pockets of prosperity in this country and those areas that have not shared, or that by themselves cannot share, in the future in the Nation's economic well-being. We have a responsibility to help those areas.

The issues are equity and equal opportunity for all areas of the country, equity that should and must be woven into the economic fabric of this Nation.

There are strong sentiments on this subcommittee that regional economic development is a tested and proven principle, that EDA programs have responded to those needs, and that they can serve the future of this country very well indeed. The committee remains open-minded as to how a federally funded Economic Development Program can serve the needs of the country, and we will be conducting hearings later on in this session to reassess economic conditions, economic trends, and projections for the future. Again, this will be done with an open mind to determine what future programs, or mix of programs, will serve the economic needs of the country best.

So, again, welcome. We are eager to learn about the Agency's plans for fiscal year 1985, the work it accomplished last year, and the direction you see the Agency heading in the weeks to come.

With that, let me recognize my distinguished colleague from Pennsylvania, Mr. Clinger, who is a former chief counsel at EDA, and whose insight into the problems of economic development has been a great asset to the work of this subcommittee over the past 4 years.

Mr. Clinger.

Mr. CLINGER. Thank you very much, Mr. Chairman.

I would just like to join with you in welcoming Secretary Newman here today, particularly as I know that it is at some considerable sacrifice since the moving van is at her house at this very moment even as we speak. So we are very grateful for your willingness to come here today, Madam Secretary.

I have a very brief opening statement, Mr. Chairman.

Having experienced two successive Congresses which failed to enact authorizing legislation for the EDA and ARC, I believe we nevertheless have an opportunity to pass a true reform bill in the House of Representatives, as well as in the other body, this year.

As you have indicated, Mr. Chairman, our committee will use the same vehicle, H.R. 10, with little if any modification. I doubt that efforts to abolish the agencies will be approved by Congress. Meanwhile, I have to unravel this conundrum—the programs supporters in one body, the House, are willing and eager, and have been eager for some time, to enact serious reforms in the Economic Development Agency Program, while opponents have resisted by letting what we would agree have been some inefficient aspects of the legislation continue through 3 years of annual appropriations without an authorization. So money has been spent on programs that even we might agree were not as effective as others. We would hope that there would be serious consideration given to the need for these reforms which are incorporated in H.R. 10.

Our talk today is not to belabor any philosophical differences which we may have with the Administration with regard to the role of the Federal Government in economic development, it is indeed a sad day for an altogether different reason, because we are losing a tremendous resource due to the impending resignation of J. Bonnie Newman.

I have had the occasion as a Member of Congress to observe two prior Administrators of the Agency come and go from this side of the rostrum, and this lady who sits on the opposite side of the witness table from us is without question the best Administrator the Agency has had during my tenure in the House.

I want you to know how much we appreciate the very real and terrific effort that you have made. I might also add that I am saddened also by the fact that Secretary Newman is leaving because she is a Penn State graduate and fan, and we have precious few of those in the Administration. It has been a real pleasure to have a true Penn State supporter in the administrative chair.

Let me just wish you, Bonnie, my very warmest wishes as you take up a new career in the private sector in New Hampshire. We are very pleased to have you with us this morning.

Ms. NEWMAN. Thank you.

Mr. NOWAK. Let us now turn to our colleague from Charleston, WV, our very distinguished colleague who has worked very hard on this subcommittee for a number of years, and certainly has participated in not only the renewal of EDA, but has looked forward into the future with us to try to garner support for a new and acceptable concept to all participants in this arena, Bob Wise.

Mr. WISE. Thank you, Mr. Chairman.

I also want to join in saying to Bonnie Newman, Madam Secretary, how much I regret your resignation. I know that it opens up greater opportunities, but for those of us in West Virginia, it brings a little sadness. When you came into office, I felt that EDA was a battered organization. I was impressed with your attitude then, which was that you were loyal to the Administration, you believed in what the Administration put forward, but as long as EDA existed, you would carry out the congressional mandate. I think you have carried out that charge incredibly.

When you first came to West Virginia, and I might add that the Secretary did come to West Virginia, as I know she went to many other places, which was a refreshing breath also, we were apprehensive, you had gone to Penn State. But over the course of time, I don't know if you will take credit for it, I know you won't, but even that blemish has been partly eliminated if you know the recent outcome. This is of course, the first win for West Virginia in 25 years, but you will give us one every now and then, I hope.

At any rate, with that behind us, let's turn to more serious things. You, I think, have undertaken several initiatives that have certainly meant a lot. First of all, your personal visits. I believe the Secretary was the first Secretary I have dealt with who has invited members of the committee with jurisdiction to come down and have breakfast, and who called just to say thank you for working with me, and to see where we go from here.

Also, I want to convey to you our sadness that you are going. The Jackson County Development Authority, upon learning that you were leaving, immediately enacted a resolution which they are having printed, which I am unable to have here today for you, to thank you for all you have done for Jackson County, WV.

We think that we got a helping hand. We think that you planted some seeds, and we feel very privileged to have had the opportunity to work with Bonnie Newman.

Thank you.

Mr. NOWAK. Thank you very much.

I would like to now introduce Sherwood Boehlert, who is my colleague from New York State. He has also been a very interested participant in economic development for our State in general, and certainly his work on the committee will add a great deal to our organization's efforts in trying to develop a concept that will be acceptable to all.

Mr. BOEHLERT. Thank you very much, Mr. Chairman.

I am not here by accident, I am here by design. I eagerly sought this committee and this subcommittee because I am a true believer in EDA.

In one of my previous incarnations I can recall very vividly, in 1965, I was a staff member for a Member of Congress, and I was tasked with the job of reviewing this proposed legislation called the Public Works and Development Act of 1965. My employer at that time had a private sector past, no previous Government experience, chamber of commerce believer, the private incentives, and all that sort of thing, and he was skeptical about whether an agency that was to be created like EDA was the right agency to do the job that he felt needed to be done.

I recall so vividly, it was about 11 o'clock at night and I was sitting up in the visitors gallery, and he was down on the floor. The vote was coming, and he looked up, I went like that, and he cast his vote for that. Subsequently, he came to believe deeply in the effectiveness of EDA in carrying out its mission.

I think a moral imperative in this country of ours is a job opportunity for everyone. An agency like the one you represent, which is designed to help create new jobs, while preserving existing employment opportunities, I think is very vital to our overall mission in the Federal Government.

I have been somewhat disappointed at the leadership of my own party, and the way in which it views this agency, but I have been pleased to follow with a great degree of interest your very effective and energetic, and enlightened leadership of the EDA.

I didn't think that the first day I would appear on this panel would be an occasion to wear a black armband, but I almost feel that deeply about it. You are going to be missed because you have performed admirably. I just hope that those who succeed you do as well as you did. I wish you well in your new endeavor.

Ms. NEWMAN. Thank you.

Mr. NOWAK. Thank you very much.

I would like to introduce two other members who have waived their statements in anticipation of your testimony, Madam Secretary, Mr. Gallo from New Jersey, and Peter Visclosky from Indiana who have also joined us, and allowed us now to receive your statement.

Let me introduce, if I may, those accompanying Ms. Newman. We have Paul Bateman, who is Deputy Assistant Secretary for Economic Development; John Corrigan, Deputy Assistant Secretary for Operations; Brian B. Whalen, Director of Management and Administration; Travis Dungan, Deputy Assistant Secretary for Finance; Eugenie Foster, Acting Chief Counsel; and Steven R. Brennen, who is the Congressional Liaison Officer, U.S. Department of Commerce.

Madam Secretary, you may proceed as you so desire.

TESTIMONY OF THE HON. J. BONNIE NEWMAN, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, U.S. DEPARTMENT OF COMMERCE, ACCOMPANIED BY PAUL BATEMAN, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT; JOHN E. CORRIGAN, DEPUTY ASSISTANT SECRETARY FOR OPERATIONS; BRIAN B. WHALEN, DIRECTOR OF MANAGEMENT AND ADMINISTRATION; TRAVIS DUNGAN, DEPUTY ASSISTANT SECRETARY FOR FINANCE; EUGENIE FOSTER, ACTING CHIEF COUNSEL; AND STEVEN R. BRENNEN, CONGRESSIONAL LIAISON OFFICER

Ms. NEWMAN. Thank you very much, Mr. Chairman, for your comments and very kind words, and the words of the other members of the committee.

I very much appreciate the opportunity to be here this morning to discuss with you once again the progress and condition of the Economic Development Administration. However, along with Mr. Clinger, I regret that the West Virginia Mountaineers finally, after 25 long years, were able to defeat the Nitany Lions of Penn State. I

might add, however, it was a very close game, 17 to 14, and there is always next season.

If I may, Mr. Chairman, I would like to make some comments for the record, and then, of course, would be happy to answer any questions that you and the members of the committee might have.

FISCAL YEAR 1984 PROGRAM OPERATIONS SUMMARY

In fiscal year 1984, the Economic Development Administration was appropriated $240 million in program funds, including $40 million for the Jobs Act projects in addition to $200 million for regular programs. The appropriation also provided the authority to guarantee $150 million in contingent liability for business loans.

During the year, $239.9 million of EDA grant funds were obligated. For all EDA operations, 1,162 new grants were awarded.

Two business loan guarantees were approved; one was accepted before the end of fiscal year 1984, with a total value of $8 million. The second guarantee was declined by the applicant subsequent to the Agency's approval.

FISCAL YEAR 1984 PUBLIC WORKS PROGRAM

Two-hundred and ninety-four public works projects were approved, including 83 Jobs Act projects, for $40 million; 109 of those projects were in rural areas, 94 were in urban areas. The average EDA amount for a public works grant awarded in fiscal year 1984 was $580,000.

FISCAL YEAR 1985 PROGRAMS

EDA's fiscal year 1986 budget request is based upon congressional approval of a rescission totalling $203 million in funds appropriated for 1984 and 1985. This rescission proposal consists of $179 million of the $200 million appropriated for regular economic development assistance programs in 1985 and $24 million of the $26 million in 1984 supplemental appropriations passed by the Congress for geographically specific activities.

During the period of the rescission, EDA is operating normally. The authorization and processing of applications for assistance is proceeding up to the point of obligation. The $21 million, which is not being proposed for rescission, has been fully obligated and no new obligations are being involved.

For fiscal year 1985, EDA again was appropriated $200 million in regular program funds. Availability of these funds and project selection criteria were published in the Federal Register on October 9, 1984. Through mid-March, 1985, 12 public works projects with a value of approximately $8.3 million in EDA funds have been approved.

On December 14, 1984, we published in the Federal Register the announcement of our Loan Guarantee Program and the criteria which we will use for selecting projects. We had planned to issue our announcement in October, however, because of the recent promulgation of OMB Circular A-70, which changes some of the policies of the Administration regarding credit assistance programs, we

have delayed the issuance of that notice so that we could comply fully with that new policy direction.

We are now accepting proposals and applications from qualified applicants for our loan guarantee program. To date we have reviewed 10 proposals representing $50 million in contingent Federal liability.

We have tightened our credit criteria for this fiscal year consistent with A-70, and we now require that a minimum of 20 percent risk be undertaken by the lending bank; that there be a first or shared first lien position on the borrower's collateral; and that a reasonable equity contribution be made by the borrower's owners.

Our planning, technical assistance, research and evaluation programs are all on schedule.

FISCAL YEAR 1985 DEBT COLLECTION

We do plan to collect a record $85.4 million this fiscal year in our Business Loans Program and $110 million overall. Since over 90 percent of our delinquency rate reflects cases in liquidation, we plan to concentrate our efforts on recovering and charging-off these bad loans. We have reviewed carefully the 150 cases in our liquidation office, which reflect exposure of approximately $250 million. We have set recovery targets and scheduled charge-offs for each case. We have also implemented a management reporting system which tracks our progress.

No bulk loan sale is planned at present. However, we will propose legislation to repeal the McDade amendment, which prohibits the sale of loans without the consent of the borrower. We believe that this prohibition hinders the efficient management of the Agency's loan portfolio and does not allow the most effective protection of the taxpayers' investment.

FISCAL YEAR 1985 RESCISSION AND 1986 BUDGET REQUEST

The fiscal year 1985 rescission proposal is anchored in the belief that sustained economic development is contingent upon the fiscal stability which will come only with a reduced Federal deficit. Further, the most effective solutions to local economic development problems result when the responsibilities of community economic development assistance are transferred back to the States and to local governments.

The 1986 budget request also proposes that EDA not issue any new EDA loan guarantees. Just as there has been dramatic success in job creation as result of President Reagan's economic policies, we also must rely on the private sector to provide credit assistance to businesses. This private sector involvement in turn will reduce even further the Nation's declining interest and inflation rates.

Finally, consistent with the intent of the Deficit Reduction Act of 1984, $120,000 in 1985 administrative funds is proposed for rescission.

STATUS OF ECONOMIC DEVELOPMENT REPRESENTATIVES

The Congress requires EDA to maintain a total of 49 economic development representatives, our EDR's, and places limitations on

their location and movement. EDA has filled and maintained 47 ongoing EDR positions and has taken action on the two additional EDR's for the State of New York. A candidate has been selected to fill the position in Syracuse, and we expect to make the selection for the New York City position shortly.

We have made two realignments. One of the four California EDR positions and one of the two Arizona EDR positions have been reassigned to Tallahassee, FL, and to Carson City, NV, respectively. Neither State had its own EDR prior to this realignment.

As of February 1, 44 of the 49 EDR positions were filled. The vacant positions are the four new offices in New York City, Syracuse, Tallahassee, and Carson City. The remaining vacancy is in Lubbock, TX.

DECENTRALIZATION OF EDA OPERATIONS

EDA continues to place great emphasis on the efforts and recommendations of its field staff. EDR's and the regional office staffs originate and review nearly all types of EDA projects. While the final authority for grant approval still resides, as it must, with the Assistant Secretary, the field staff provides the foundation for EDA's annual program by identifying and developing projects which are in conformance with broad policy guidelines and will meet local economic development objectives.

This concludes my prepared statement, Mr. Chairman, however, just this morning I received a letter from the President which I would like to read in part as I think that it may be of considerable interest to members of the committee, and those interested in the work of the Economic Development Administration.

In his letter, the President wrote, and I quote now, "Economic growth is a very important priority of my Administration, and the current economic expansion is helping to provide our people with jobs and hope for the future, but not every areas has shared equally in this strong and continuing growth."

The President went on to say that it is his intention to design policies to ensure that all Americans have the opportunity to go as far as their talents and energy will take them.

I will submit the letter, Mr. Chairman, for the record.

[Letter referred to follows:]

THE WHITE HOUSE,
Washington, March 18, 1985.

Hon. J. BONNIE NEWMAN,
Assistant Secretary, for Economic Development, Department of Commerce, Washington, DC.

DEAR BONNIE: It is with regret that I accept your resignation as Assistant Secretary of Commerce for Economic Development, effective March 20, 1985. You have performed your duties in an outstanding manner, just as you did during your earlier service in the White House as Associate Director of Presidential Personnel.

Economic growth is a very important priority of my Administration, and the current economic expansion is helping to provide our people with jobs and hope for the future. But not every area has shared equally in this strong and continuing growth. As Assistant Secretary of Commerce for Economic Development, you have helped me to design policies to ensure that all Americans have the opportunity to go as far as their talents and energy will take them. Your dedication to this goal is admirable, and your knowledge of the issues involved has been a tremendous asset both to me and to Secretary Baldrige. I want to thank you personnally for a job well done.

Nancy and I send you our best wishes for every future success and happiness.
Sincerely,

RONALD REAGAN.

Ms. NEWMAN. I would like to say that it has not only been my privilege and honor to serve the President in this capacity as Assistant Secretary of Economic Development, but also to work closely with the members of this committee. I sincerely appreciate your interest and continued support during my tenure as Assistant Secretary.

I would also like to take this opportunity to acknowledge, as you members of the committee have done, the fine and professional work of the staff employed by the Economic Development Administration. This is a fine and dedicated group of professional public servants, and it has been my greatest privilege to be able to serve with them in the interest of the Agency and the country.

A number of them are with me this morning. We are all willing and prepared to answer any questions that you may have about the activities and programs of the Agency, and I look forward, along with my deputy, Mr. Paul Bateman, who has served me ably during the last year as Deputy Assistant Secretary for Economic Development, in responding to any questions that you might have.

Thank you.

Mr. NOWAK. Thank you very much, Madam Secretary. I applaud the thought that has been expressed by the President for expanded economic growth. There are some economists now who have taken a little different position than the conservative, traditional economists "supply-side economists," who seem to believe every positive factor in the economy, will in fact cause the budget deficit to disappear. For example, high, extended growth into the future will dissipate the deficit. I think that the expression that continued growth will solve all of our problems, unfortunately, has not come to pass over the last few years.

I think that when we talk about economic growth, we are also trying to instill in this country equity in that growth. We found that even with the extraordinary two or three years of economic growth that we have had now, there are still some areas that have been left out of that growth. There have been other areas of the country that had substantial employment, but because of some other Administration policies lack the ability to fully participate in the recovery.

We have had displacements, and we ended up, I think, with a different perspective on what is happening out there than when you, in general terms, talk about what this program has tried to do. Therefore, I can't help but come to the conclusion that the Administration's and the President's general statements are, of course, true. But again the EDA, and especially H.R. 10, which we are trying to move forward, targets those regions which were either left out or, because of changing economic circumstances unable to participate. We can point to many initiatives that have been brought about by the trade deficit movements in employment, so that certain areas of the country are not participating in the recovery.

We would hope that somewhere down the line, this Agency can play a very meaningful role in trying to even out that economic

dislocation that goes on even when you have a general recovery throughout the Nation. So we look forward to working with the Administration in trying to focus on this problem as tightly as we can with the reduced numbers we have to work with, and make a dent in that regional or subregional problem.

Nobody can argue with the general proposition that growth is very necessary. In fact, when we look at the problems that may occur in the future if we have just a little pause in this astronomical growth that is claimed in general terms throughout the country, many economists foresee a more drastic result than we would have under the circumstances in the economy that existed in the 1960's and 1970's.

So I think we have to be very aware of growth. This whole thrust, while it is not going to solve all of our economic problems, is certainly able to play a role in trying to even out some of the dislocations that have occurred.

Let me just take the opportunity for a couple of questions, and then I will turn to my other colleagues for their questions. Then I will ask the Agency for some information that I would like to be part of the record.

One of the areas that has been lacking is the amount of loan guarantees that was put out by the Agency. Part of that, I am sure, is attributable to the OMB Circular that went out. In your statement, you make reference to the new requirements that a minimum of 20 percent be undertaken by the lending bank. If I am correct, in the present legislation, those loan guarantees have in the past gone up to 90 percent at the Secretary's discretion, the Commerce Secretary, I believe.

OMB has provided new guidance, and I am wondering if you can comment on that. Whether that has been a problem in looking at those new loan guarantees that you have the authority to use.

Ms. NEWMAN. Yes, sir. You will recall in my earlier remarks that last year we approved only two loan guarantees. Unfortunately, we were working in a very short time span last year. I know that this was in the Federal Register, I believe, sometime in February, which unfortunately left us only with approximately 6 months in which to develop and administer our total program, including the loan guarantees.

However, this year, I am pleased to be able to report that even including the new A-70 regulations, we appear to have a much more healthy pipeline for the Loan Guarantee Program. We now have 10 active proposals under consideration, and we anticipate that perhaps our exposure could be up to $50 million with what we see already.

I do not believe that A-70 is going to have any detrimental effects on the administration of the program. We are finding that as the economy improves, indeed the demand is somewhat less and the condition of some of the loans is perhaps even better than we have experienced in the past.

However, I would like to ask our Deputy Assistant Secretary for Finance, Mr. Travis Dungan, if he would, to report to you on the status of the project to date.

Mr. Dungan.

Mr. DUNGAN. Thank you, Ms. Newman.

As the Assistant Secretary testified, we have approximately 10 projects that are active now that have come to headquarters. We have another six projects that are being actively pursued out in the regions and for which we are awaiting the profiles to come in.

At this point, one applicant which had been authorized has actually declined to participate.

The pipeline is about $50 million 6 months into the fiscal year. So we expect to come through with quite a few more guarantees.

As far as the impact of A-70, it makes it a little bit more difficult for the banks to qualify for the program, but we think that it provides for stronger projects overall. The change from a 90-percent guarantee has not, I don't think, significantly affected bank participation in the program.

Looking at the projects that we have at headquarters, we have a number of projects that are requesting 50- and 60-percent guarantees. In the aggregate the average guarantee is about 75 percent. So I really don't think that A-70 has been a significant problem.

I think the banks would recognize that they need to be exposed in order for them to service the loans properly.

Mr. NOWAK. What about the factor of the first lien, has that been a factor in the processing of these first loans?

Mr. DUNGAN. Yes, I think that that does deter some applicants, but I think that it is important for the bank for which we are guaranteeing the loan to have a first lien position, and I think the banks recognize that.

Mr. NOWAK. In those first loans that you have looked at, has that first lien position been shared with any of the banks?

Mr. DUNGAN. Frequently, it is. If, let's say, we are going to assist a company that has existing financing, frequently we must share the first lien.

Mr. NOWAK. Let me just turn to one other question. On page 2, you mention the amount of public works projects that were approved. Do you have a breakdown, or could the Agency supply a breakdown of where those projects were located? Also, do you have breakdown in terms of what the unemployment was in those areas that those projects were approved in? Are those records kept by the Agency?

Ms. NEWMAN. Yes, sir, we have all of that information, and we would be happy to supply it for the record.

[The following was received from Ms. Newman:]

Question. For fiscal year 1984, provide the amount of public works funds that were awarded to areas with unemployment rates above 8 percent; 10 percent; and 12 percent.

Answer.

PUBLIC WORKS INVESTMENTS BY RATE OF UNEMPLOYMENT

	Percent			
	Below 8	8-9.9	10-11.9	Above 12
Number of projects	27	66	57	143
EDA (in thousands of dollars)	13,246	41,782	36,422	78,539
National, percent	7	24	21	48

Mr. NOWAK. Let me turn to my colleague from Pennsylvania now, Mr. Clinger.

Mr. CLINGER. Thank you, Mr. Chairman.

Thank you, Madam Secretary, for a very excellent statement of the operations of the Agency during the past year. One of the major criticisms that has been brought up with regard to EDA has been the fact that over 80 percent of the country qualifies for EDA assistance because of the provision that does not permit dedesignation of areas that have become designated for EDA assistance.

But it is my belief that in the actual administration of the program in fact, you have concentrated the EDA assistance in those areas of greatest distress and of greatest concern. I wondered if you could provide for the record, and perhaps you know, how much of the total population of the country actually receives assistance. My guess is that it is substantially less than 80 percent of the country that has been a beneficiary of EDA assistance over the last year.

Ms. NEWMAN. Yes, sir, again, we have that data available at the agency, and we would be happy to provide it for the record.

[The following was received from Ms. Newman:]

Question. What percentage of the country has actually received EDA assistance?

Answer. The chart below illustrates number of countries during the past five years that have received EDA assistance, the percent of the total US counties that number represents, and the percent of the national population residing in those counties.

Year	Counties receiving EDA assistance	Percent	
		U.S. counties	U.S. population
1980	314	9.75	36.48
1981	269	8.35	32.81
1982	167	5.18	20.24
1983	320	9.93	34.11
1984	266	8.26	28.88

Note.—The above percentages are based upon the actual obligations of EDA's public works program.

Ms. NEWMAN. I might add that you and I have discussed this in the past, and we both realize that when the Agency was first created in 1965, approximately 12 percent of the Nation qualified as being eligible for the program. Now we feel that the figures are somewhere between 80 and 87 percent, a considerable growth over that 20-year period. Along with members of the committee, I think that it is one of the areas that needs to be reviewed should the Congress decide to continue with the Economic Development Administration.

Mr. CLINGER. I know that you have had an opportunity to review the provisions of H.R. 10 which has been under consideration here for about 6 years now. Have you had an opportunity to analyze that as to how much of the country would qualify under the designation criteria contained in that bill?

Ms. NEWMAN. Yes, sir, we have done considerable research on this so as to be prepared, pending the decision by the Congress, and we would also be happy to provide that analysis for your review.

[The following was received from Ms. Newman:]

H.R. 10 ELIGIBILITY ANALYSIS/CRITERIA

Type of area	Number of qualified areas	Number of counties included	Number of cities included	Total 1982 population qualified	Qualified population as percent of U.S. total
1. Areas with per capita incomes 80 percent or less of the national average:					
Urban	151	116	35	9,601,034	4.14
Rural	1441	1440	1	27,660,967	11.94
Total	1592	1556	36	37,262,001	16.08
2. Areas with unemployment rates 1 percent above the national average for the most recent 24 month period:					
Urban	376	244	132	56,375,350	24.33
Rural	1100	1093	7	29,949,021	12.93
Total	1476	1337	139	86,324,371	37.26
3. Areas meeting either or both of the above criteria:					
Urban	449	310	139	59,618,455	25.73
Rural	1805	1798	7	41,010,249	17.70
Total	2254	2108	146	100,628,704	43.44

Mr. CLINGER. The only other question in that area I would have is, if the moratorium which presently exists on dedesignation under the Public Works and Development Act of 1965 would be lifted, how many would be dedesignated? In other words, what would we reduce the universe to if the moratorium were lifted?

Ms. NEWMAN. We don't happen to have those figures with us this morning, but they are readily available and, again, we would be happy to provide them for the record.

[The following was received from Ms. Newman:]

Question. If the moratorium is lifted, how many areas would lose their designation status?

Answer. Presently, 2,105 of the nation's 3,141 counties are designated EDA areas. Of that number, 665 counties would lose their designation status if the moratorium is lifted.

Mr. CLINGER. As we have all indicated up here, we all regret the fact that you are leaving. The question I would have is, upon your leaving the agency, we will presumably have an Acting Assistant Secretary for Economic Development, would he or she have the authority to approve projects until the other body will have presumably advised and consented to a new Assistant Secretary for Economic Development?

What authority will the authority of the Acting Assistant Secretary be?

Ms. NEWMAN. Inasmuch as the President has not yet nominated a person to succeed me in this position, the Deputy Assistant Secretary would have the delegated authority in order to carry out the programs.

Mr. CLINGER. He would have project approval authority.

Ms. NEWMAN. Yes.

Mr. CLINGER. Is the Agency presently following the process for selection of public works projects which was announced in the Federal Register?

Ms. NEWMAN. Yes, sir, it is. As a matter of fact, we have reviewed a goodly number. I would ask Mr. Bateman to please review those figures in our first quarter.

Mr. BATEMAN. Congressman, as of this date, we have authorized 210 projects which represent about $125.8 million in the first 6 months of this fiscal year. We are fairly well ahead of schedule from last year and previous fiscal years.

Mr. CLINGER. The 1984 EDA appropriation bill contained language directing the Agency to continue the policies and practices for project selection, evaluation, review, and approval process which are in compliance with the current enabling legislation. Is the Agency complying with the legislative direction?

Ms. NEWMAN. Yes, sir, to the best of my knowledge, we have done our best to do that.

Mr. CLINGER. Thank you.

Thank you very much, Mr. Chairman.

Mr. NOWAK. Thank you.

Mr. Wise.

Mr. WISE. Thank you, Mr. Chairman.

Because of changes in EDA policy in recent years regarding funding for development district programs, would you be able to clarify the Agency's present plans for funding development districts?

Ms. NEWMAN. Mr. Wise, if I may, I would like to invite Mr. Jack Corrigan, our Deputy Assistant Secretary for operations, to respond.

Mr. CORRIGAN. Congressman Wise, the present policy is to continue to fund all of the economic development districts that have been funded in the past years, and we expect that a small number of new districts, that are designated but not funded, will be submitted for approval and funding this year.

The recurring funding of districts uses most of the appropriated funds so it will be a relatively small number of new districts that will be able to get into the system this year.

Mr. WISE. The other question I had is, the current responsibilities and authorities delegated to the EDR's, and also the authority of the regional directors currently carrying out their responsibilities. I am interested in this, but in some ways, Madam Secretary, isn't that a determination that is made by each Administrator of this Agency, so the direction that you have set out on is not necessarily the direction that the one who follows will take.

Ms. NEWMAN. I think that in some respects you might be right, Congressman. Of course, we do have the organizational structure, and I am confident that the structure is safe and secure. One cannot speak for an as yet unnamed successor and what he or she might do, given the prerogatives of this position. However, in my own experience, working with the field staff, the economic development representatives, and the staff in each of our six regional offices, has assisted me greatly in my duties. These individuals are professionally trained. They are closer to the actual projects than most of us here in Washington are able to be, and they have been

extraordinarily helpful in providing me with detailed information on the many programs that come through our Agency for consideration.

I would hope that whoever accedes me, and should the Agency continue in the future, whoever occupies the position of Assistant Secretary would at the very least make an effort to meet these people and to explore some of the regional differences that exist throughout this country. We have a very diverse country, as we all realize, and economic development needs vary from region to region of this country. I think that if a person is to administer the program effectively, it is of critical importance that they understand what those differences are and work closely with the professionally trained staff who have been able to follow some of the projects over a longer period of time.

Mr. WISE. Thank you.

Mr. NOWAK. Thank you very much.

Let me just ask a question. In your statement, you mention that the most effective solution to local development problems result, I believe you stated, when the responsibilities of community economic development assistance are transferred back to the States and to local governments.

Really, when you look at EDA's programs and the successes that you have had, isn't that what happens with the present program in that the local governments in fact seek that specific type of assistance from EDA, and it is based on requests that are initiated by the same local government agencies, whatever that may be in a particular area. How could we change it to make it any more responsive?

Ms. NEWMAN. Sir, I think you are right, the local governments are responsive, and we have seen programs where they are provided with even increased opportunities to be more responsive, programs like the community development block grants, and the enterprise zone legislation that has been enacted in a number of local and State areas with considerable success for economic development related projects.

I think that it is efforts like these that if increased would serve to even improve the conditions throughout the country.

Mr. NOWAK. When you look at the successes you have had, really we have combined the best of the local talent, with an overview or an oversight by an EDR, and, of course, a review down here, to bring about the best possible projects from an area that has had severe economic stress.

We just look forward to try to build upon that in H.R. 10, and then, of course, if this rescission does not go through, hopefully, I can sit with the Agency people and we will try to work on that concept and develop it further. I hope that the remaining people who will be with the Agency after you leave will take up that kind of challenge and try to build upon it if, in fact, as I believe will happen, the Congress will at least sustain this program for the next fiscal year. We will have ample time then to develop the economic develop concept and refine it.

You know, this pulling back and forth, stopping and going, reduces the total effectiveness of the Agency. You have had personnel changes, and a chief counsel to be appointed. We have got to

find a way, and we will probably be able to find a way to start to negotiate in the near future. So we are looking forward to that opportunity.

Let me turn now to our colleague from New York, Congressman Boehlert.

Mr. BOEHLERT. Madam Secretary, what is the total manpower authorization for EDA? How many positions do you have authorized?

Ms. NEWMAN. As of today, sir, we are at 468 fulltime professional staff with our Agency.

Mr. BOEHLERT. Is that the authorized level, or is that the number of people you have in the position?

Ms. NEWMAN. To the end of the year, our authorization is at 440 fulltime equivalent.

Mr. BOEHLERT. What is the percentage of those positions that are filled? What I am trying to get at, it seems to me, you must have a morale problem at the Agency. For three consecutive years, a misguided policy has tried to eliminate EDA. Do you have a morale problem down there? Are you having difficulty filling key positions?

Ms. NEWMAN. Mr. Boehlert, sometimes the person in the corner office is the last one to know, but I think, at least when I left there about a half-hour ago, I would say that given the situation with which the Agency has to function in the last several years, I believe that the morale and performance is high. It is a difficult situation for the career staff of the Agency. They can never be sure from one Congressional session to the next exactly what the future of their position is. But despite that insecurity, I am extraordinarily proud of a group of professional people.

Before coming to Washington, and before becoming involved in Government service myself, I was not exactly sure what I would encounter in terms of professionalism. But this is a group of highly trained and dedicated professional people, and I think they have maintained their morale. There have been moments of discouragement and doubt, but in spite of that they have worked, and they have worked well.

Mr. BOEHLERT. I would appreciate, for the record, if you would submit the figures on your authorized strength and those slots which are vacant, so we will know that.

Second, how many developmental districts across the country have EDA financed revolving loan funds?

Ms. NEWMAN. I believe we are talking about several hundred, but let me have Mr. Corrigan give you the specific figure.

Mr. CORRIGAN. Mr. Boehlert, approximately 80 of our roughly 260 districts have existing revolving loan funds. There are another 65 communities, cities, or States that are participating in that program, but about 80 of our districts now participate.

Mr. BOEHLERT. Mr. Corrigan, what has been your experience to date with the revolving loan? I can only speak from experience in my own congressional district where I think we have an outstanding program, and it goes along with the Administration's basic philosophy of having more decision making at the local level, and a little helping hand from Uncle Sam.

Are we enjoying something unusual in the Mohawk Valley Economic Development District, or is the program working effectively in other areas of the country?

Mr. CORRIGAN. Mr. Boehlert, we have not done any comprehensive evaluation of the program, but the limited evaluation that we have done convinced us that it is a tool that has been highly successful in promoting jobs. It does truly fill a credit gap that exists in many of our areas. This is largely true in the rural areas of our country.

Mr. BOEHLERT. Which are often forgotten areas of the country in terms of decisionmaking here in Washington.

One last question. Is it true, Madam Secretary, that there is floating around the bureaucracy a proposal to move the Philadelphia Regional Office to another location?

Ms. NEWMAN. Mr. Boehlert, that matter was considered at a brief luncheon that you and I had, but once I returned to the office, reason prevailed and the office will remain in Philadelphia. However, we are certainly at the disposal of people of Utica at any time.

Mr. BOEHLERT. For the record, I would like it to be noted that this was in jest. I did not seriously advance the proposal.

Let me seriously say to you, you will be missed.

Ms. NEWMAN. Mr. Boehlert, if I may, let me just add on Mr. Corrigan's remarks.

Indeed, there has not been a good systematic evaluative system as part of our program. One has recently been initiated and will become part of all of the EDA Program areas in the future. So that in future sessions that kind of evaluative data, hard data, should and will be available for the members of the committee.

Mr. BOEHLERT. Thank you.

Mr. NOWAK. Thank you very much.

We have a recorded vote on the House floor, and we have to break at this time. I would just like to comment. I understand that Mr. Corrigan's present job as Deputy Assistant Secretary for Operations is being abolished. Is that correct?

Ms. NEWMAN. Yes, sir, it is being consolidated into the position of the Deputy Assistant Secretary. We feel that that will result in a more efficient administration of the total agency. However, we are very pleased that Mr. Corrigan will be returning to our Philadelphia Regional Office in early May as the Director of that region, which is the largest region in terms of EDA activity in the country.

Mr. NOWAK. Where is that office located?

Ms. NEWMAN. Sir, it is just south of Utica in the village of Philadelphia in the Commonwealth of Pennsylvania. [General laughter.]

Mr. NOWAK. I just hope that we will have someone here to answer the questions that he answers.

We will recess, and we will resume in about 15 minutes.

[Recess.]

Mr. NOWAK. The subcommittee will come to order.

I will call on the former chairman of this subcommittee, Mr. Oberstar from Minnesota.

Mr. OBERSTAR. Thank you very much, Mr. Chairman. It is a delight to join in the proceedings of our subcommittee today in a new capacity as a member, and not as the Chair. I want to compliment you on moving as decisively and early as you have on our favorite

Federal Government program, the Economic Development Administration.

I am delighted that you have taken this initiative. You will be focusing the energies of our committee on the proposed rescission, to make that simply a proposal, and give it the decent burial it deserves.

I would like, Madam Secretary, to take this opportunity, on the eve of your departure from Washington, to express my regrets that you are leaving, and my compliments on a job exceptionally well done.

You came into the agency in a leadership position at the most difficult time in the history of EDA. A question was raised earlier about morale. A morale problem existing prior to your arrival, and it is a tribute to you that because of your leadership and your presence, your care and your concern, demonstrated in specific ways, that the morale question at least is a matter of history and not one of administration of the Agency and its programs.

I have always had for the Economic Development Administration nothing but the greatest admiration, for the personnel and for the mission that it has carried out. The personnel because they brought into Government an esprit de corps, a zest for their work and for the results that they produced, equaled only in all of the Federal Government by the Peace Corps at the height of its operations.

You have undertaken the leadership of that Agency with the legacy I have just described very much in mind, and you have restored to the Agency its rightful role as a preeminent force in Government, for rebuilding local economies and, therefore, rebuilding in the same way the spirit, the morale, and the zest for life of the people in those distressed area communities.

As you look back on your tenure, let us take this opportunity to think a little bit about what has occurred within the Agency. First of all, what has been your experience in dealing with problems of distress under the authorities of title IX of EDA? What kinds of problems are best addressed by title IX—short term, sudden upheavel, dislocation by closing of a military facility, shutdown of a community's major industry; or long term economic decline problems which can be addressed through a properly administered title IX?

Ms. NEWMAN. Thank you very much, Mr. Oberstar, for your comments and for the question. I am reminded that on the table in the Cabinet room at the White House, the President has a block of wood that says, "Yes, No, and Maybe." I am afraid that my answer may fall in the "maybe" category with respect to our title IX Program.

Indeed, the program has been quite effective and is intended to assist those areas that are experiencing sudden and severe disruptions to their local economies and the normal flow of business in those economies. In my experience with the Agency and the title IX Programs, I think that that is an important function, and given some of the fluctuations that tend to occur, not all planned for but they do occur, in any event it is critical that there be a system of this type available to help communities when they experience that kind of a disruption, and I think that title IX has served well.

On the other hand, perhaps we could all do a better job in anticipating some of that dislocation, and perhaps, if not able to prevent it, providing for it by assisting communities in stabilizing their economies so that those disruptions are less harmful than they have been in the past.

Perhaps, sir, that is my way of saying that I think other functions within our title IX Program are important and integral to the efforts of economic development, and certainly the administration of our program.

I don't know whether Mr. Corrigan would like to add to those remarks.

Mr. OBERSTAR. Before you reply, Jack and I want to have your response.

You are suggesting an awareness or an understanding of the capacity of the authorities within title IX to be prospective rather than reactive as the title IX has been administered. I have in mind legislation that would reshape title IX to put somewhat more emphasis or give wider authorities so that the Agency can look to the future rather than wait for the calamity to arrive on our doorstep.

Ms. NEWMAN. Absolutely, sir, and we would be very happy, if you care, to review the program that you have in mind and offer additional comments. Ideally, if we were able to be more proactive perhaps there would be less need to be reactive when these disruptions occur.

Working with some of the other groups, the development districts, and economic development specialists throughout the country, I think we could work together to, again, anticipate some of the trends that we might be able to except, given the economic condition of not only the country, but the world, because fluctuations throughout the world have a direct bearing on some of our areas.

Mr. OBERSTAR. It seems to me, in my experience, that all too often communities have lamented the passing of an industry far longer after it is gone than they have given thought to its prospective demise. Had they been, in advance, giving thought to the changing nature of the workforce, the changing structure of the economy, and had they had the tools in hand with which to dc so, they could have prevented that demise.

Mr. Corrigan, would you care to respond further?

Mr. CORRIGAN. Mr. Oberstar, it is my view that the title IX program, as Ms. Newman has said, has been very effective in responding in those sudden and severe cases of dislocation. It has the unique ability to mobilize several different types of assistance under one grant, and in that kind of an approach, it has been very, very successful.

Obviously, with a limited budget of $33 million, the decision that Ms. Newman made to focus on sudden and severe for approximately half of the program and on the revolving loan fund for the other half is kind of Solomon's way out of the dilemma, recognizing the validity of both types of approaches.

I do think that the one thing that we have been doing that speaks to your concern, though, Mr. Oberstar, is that over the last year that Ms. Newman has been the leader of EDA, there has been an increased awareness and a heightened focus on strategy grants that get at what you are asking. When a community knows, for ex-

ample, that a company is going to shut down in a year or 2 years from now, as is often the case in our present climate, that community can get some assistance from EDA to do the preparatory work that can enable it to effectively have a strategy that everybody at the local level has a psychological investment in, and have it ready to go and implement it in advance of the actual dislocation. That has happened, and it has been effective.

Mr. OBERSTAR. How much funding has EDA committed to advance planning, to strategy grants under title IX, what percentage of that budget?

Mr. CORRIGAN. The strategy grants are generally very small. Of the $16 million that is put aside for the sudden and severe, there is no allocation upfront for strategies.

Mr. OBERSTAR. I realize that.

Mr. CORRIGAN. The way in which it has worked out, about $1 million has been used for different types of strategies, and the rest for the implementation. In this way, I think we have been able to assist the significant number of communities with dislocation problems.

Mr. OBERSTAR. Could you quantify the number of communities?

Mr. CORRIGAN. Ms. Newman will provide that for the record.

[The following was received from Ms. Newman:]

Question. Provide a list of all strategy grants awarded during fiscal years 1983 and 1984.

Answer.

Fiscal years and applicant name	STP	Project description	EDDL
1983:			
White River Planning DD	AR	Flood/tornado adj strat	80,000
Pueblo, city of	CO	Econ. adjustment strategy	75,000
Lenawee, county of	MI	Strategy development	37,500
Escanaba, city of	Mi	Development adj plan	39,375
Arrowhead Reg Dev Comn	MN	Econ adjust strategy	147,000
Wilmington, city of	NC	Prep lcl adjust plan	21,000
Metro Devp Foundation	NY	Feas/s site re-use	60,125
Genessee, county of	NY	Development adj strategy	60,000
Clinton County Commission	PA	Development adjustment strategy	37,500
Vieques Community LDC	PR	Development adj strategy	200,000
State of Utah	UT	Ssed eas disaster assmnt	200,000
Brooke County Commission	WV	Development adj strategy	40,000
1984:			
City of St. George	AK	Boat ramp & aprons	190,000
Town of Clifton	AZ	Fsy/s flood disaster	100,312
Pueblo Economic Dev Corp	CO	Mgt/s sml bus incubator	126,000
Evansville, city of	IN	Strategy development	75,000
Urban Dev Corp	NY	Feasibility study	100,000
OR Coastal Zone Mgt Assn	OR	Econ adjustment strategy	100,000
Clinton County Commission	PA	Adjustment strategy	50,000
Marlboro County	SC	Grant to dev corp	187,500
State of Washington—P&CAA	Wa	Economic adjustment strategy	75,000
Skagit Council of Gov'ts	WA	Economic adjustment strategy	75,000
The Tulalip tribes	WA	Economic adjustment strategy	50,000
City of Everett	WA	Economic adjustment strategy	140,000

Mr. OBERSTAR. This kind of thing where you know that a problem is about to occur, where the community knows that a problem is going to befall it and is able to make plans in advance, develop a comprehensive economic strategy, it is a far better use of public money, and those grants, although small in amount, have very far reaching impacts. I would like to see the agency more vigorous in its use of title IX, and proceed with those authorities.

I think also that the authorities under title IX need to be reshaped. If we are going to continue with the Agency as is, and if the Administration persists in its refusal to accept or come to terms with the committee on H.R. 10, then some revision of existing authorities ought to be done.

I think that Mr. Clinger and I have argued very persuasively with our colleagues, not so persuasively with the White House that revolving loan funds give us an opportunity to make a very substantial impact, with a very minimal Federal exposure, but the revolving loan fund has not been used in my opinion with the kind of vigor that it should.

Ms. NEWMAN. Mr. Oberstar, let me have Mr. Corrigan respond because there has been varying experience in this area as well.

Mr. CORRIGAN. Mr. Oberstar, part of the reason why the new loans that are made at the present time are not as extensive as you would like is that the amount of funds that is available for the last several years has been some $16.5 million. In terms of a national program that has only allowed a modest number of communities to either participate in receiving a new grant or revolving loan fund, or in several cases to have their revolving loan fund recapitalized.

Mr. OBERSTAR. The $16 million is at variance with the figures that I have.

Mr. CORRIGAN. Of course, because it is revolving, it is cumulative. So funds from the previous years have added up.

Mr. OBERSTAR. To $222 million.

Mr. CORRIGAN. Approximately $200 million, but in recent years the additional funds have been very modest. The reason why there is not as much in the way of new loans as there would have been even a few years ago is because of the change in the funding level.

I think, however, that Ms. Newman has taken some vigorous action to give direction to the program and, indeed, it has received considerable attention from our headquarters and regional offices. Our regional offices are dedicated to making sure that it is effective. Under our present leadership, for example, a new revolving loan fund handbook was prepared for all grantees so that before a grant is made, the applicant must put forward an extensive plan that documents exactly how that revolving loan fund is going to operate and that has resulted in what we consider a higher quality of loans, more highly targeted to what are the EDA concerns about jobs and income in the areas of high stress.

Mr. OBERSTAR. I certainly would like to have a copy of that, and I would appreciate it if you would send that document over to my office. I would very much like to review that personally, that is an area where I have a very keen interest.

I think it is an authority that ought to be more vigorously used, and one that keeps the pressure of the borrowed dollar upon the individual borrower and community, and subjects these decisions to

the logic of the marketplace, both financial and the trading marketplace.

The Office of Management and Budget's Circular A-70, referred to in your testimony, Madam Secretary, imposes three new requirements: 20 percent risk, shared first lien position and equity contribution. We know from your testimony that only two loans have been approved. How many were discouraged from applying?

Ms. NEWMAN. Mr. Oberstar, I don't believe we discouraged anyone from at least discussing with the EDA the possibility. After reviewing the portfolio, I am not sure of the exact figure, but I would expect that a good number of loans, perhaps, were deemed ineligible for our program. But let me have Mr. Dungan, if he will, respond to what the pipeline was last spring when he joined the Agency, what we are experiencing now, and again the implications of A-70 for the universe that we might expect in the future.

Mr. OBERSTAR. My question was specific, but perhaps a little elliptical. How many were discouraged by the regulations, not discouraged by the Agency, from following through?

Ms. NEWMAN. For last year, A-70 was not a factor because it didn't impact on the last fiscal year. It came into being very late in the fiscal year, and really wasn't enacted until October for the start of this fiscal year.

Again, let me have Mr. Dungan brief you.

Mr. DUNGAN. Last year we did review at the headquarters level about 11 projects which aggregated $40 million in contingent liability. Of those 11, we finally approved two, one of which closed.

I would go back to the statistics on this year's pipeline which show that A-70 has not had a detrimental effect upon the program. We have looked at about 10 projects so far this year, and we have six more projects being actively pursued in the region. I don't believe that A-70 is discouraging good projects from coming through the system. Obviously, it is making some projects ineligible.

Mr. OBERSTAR. It is certainly going to make some of those applicants throw up their hands and say: This is not for me.

Ms. NEWMAN. I think that is an important point, Mr. Oberstar, because quite honestly, when we were first exposed to A-70, we were curious as well as to what the impact might be on not only the eligible universe, but also our administration of the program. As Mr. Dungan has said, our experience to date has proved to be quite different than we had perhaps at first feared.

We have made great strides with the EDA staff throughout the country in helping them understand that indeed our Guaranteed Loan Program is a viable program. I think perhaps there had been some thought in the past that the program was no longer viable and there was less activity in talking with potential borrowers. Under Mr. Dungan's leadership, we have business loan officers throughout the country participating in a professional training program with Citibank so that they are becoming more versed and articulate in some of the state-of-the-art banking techniques presently being used by that industry thereby enabling them to work more effectively with the private lenders that are integral to the Guaranteed Loan Program. My guess is that the reason our pipeline now has 10 projects in it is because of these efforts, and perhaps a

more up-to-date approach to not only that particular program, but what is happening in other financial markets and institutions.

Mr. OBERSTAR. I would certainly be interested in seeing any materials developed during the course of that cooperative program with Citibank. I think that it would be very instructive not only for me but for the committee as we proceed with our review of Agency operations.

I hope that the result will be more than two loan applications approved in the coming year. One of the greatest problems facing distressed areas is the lack of credit. It is difficult or virtually impossible to get risk venture capital in high unemployment areas. That is one of the chronic, recurrent problems. One of the reasons that we established an agency in the first place was to deal with that, among other problems of distressed areas. To the extent that business capital is not flowing from this Agency, to that extent it is not performing the mandate that Congress has written in law, and it is not serving the needs of the people.

I recognize that there are restraints coming from the Office of Management and Budget. I know that because I have had discussions with the powers that be in that Agency on many occasions about this very matter. I know that they would like to choke it off altogether.

As the President's letter to you reflects, not every area has shared equally in this strong and continuing growth. Not only have they not shared equally, but they are hurting disproportionately, and desperately need the authority of this agency.

I realize, Mr. Chairman, that I have far exceeded my time.

Mr. NOWAK. It is a former chairman's privilege, Jim.

Mr. OBERSTAR. I thank you, and I want to thank Madam Secretary again for extraordinarily successful tenure at the Agency. I wish you success in your new venture.

Ms. NEWMAN. Thank you very much.

Mr. NOWAK. Thank you, Jim.

We have with us also Helen Bentley, who has great experience on that side of the table and now here. She is a former Chairman of the Federal Maritime Commission. It is a privilege to have her participate in these proceedings.

Mrs. Bentley?

Mrs. BENTLEY. Thank you, Mr. Chairman.

Secretary Newman, I want to express my regrets that as I come on board this committee, you are departing because I have heard so many complimentary remarks about your performance that I would have really enjoyed working with you, and I wish you well in your new venture.

Do you have a representative in Maryland?

Ms. NEWMAN. Yes, Congresswoman, we have an economic development representative who is headquartered in Annapolis.

Mrs. BENTLEY. I well recall when EDA was started in 1965, and how important it was to the various seaports around the country in helping them develop various terminals in the distressed areas.

I am wondering whether today, and I am not up on all of the new regulations, I am asking some questions. I have a highly distressed area in my district. It is a blue-collar area. Steel and shipbuilding were prominent, as well as telecommunications manufac-

turing. Telecommunications is going altogether leaving some 4,000 people unemployed. Steel is down to less than half of what it was. The shipbuilding is down to a third of what it was, and going down.

I have also had six or seven smaller companies which employ roughly from 100 to 250 people close down in the past year. I have great concern about the high unemployment in this area and the fact that we have not been able to get any new industry even looking there.

Would it be possible to get a grant to make a study in that area?

Ms. NEWMAN. Certainly, Congresswoman, we would be happy to meet with you and others in the district to discuss what the needs are and describe our programs, determine whether or not we have any programs that might be of assistance.

I might mention, especially in reference to your seaports and related maritime activities that throughout the country EDA has been very active. On the west coast, a number of projects, including up in the Pribilof Islands, a new barge area in Eastport, ME, a new fishport in Portland, down in the Port of Brownsville, a facility not only enabling the port to conduct heavier and more drafted traffic, but also to build the towers that are later used in deep water for oil drilling. So we have been actively involved in a number of projects that are directly related to the type of area that you describe.

Mrs. BENTLEY. The actual port development, we are fortunate in that we don't need assistance for port facilities on the waterfront because our Department of Transportation, the State Department of Transportation is able to do that from their trust fund. But we do need other industry. We need small manufacturing, this is what I am getting at. I need to find jobs for these people, and I would like the opportunity to meet with you and your staff, if you are still going to be around a little bit, if not, the Acting Secretary, as soon as possible to review what is available and what might be helpful to my people.

Ms. NEWMAN. We would be happy to schedule a meeting. Of course, Mr. Bateman is the Deputy Assistant Secretary, and with Mr. Corrigan returning to the Philadelphia Regional Office, you will be working directly with those two individuals.

Mrs. BENTLEY. I would like that. Thank you very much.

Ms. NEWMAN. Thank you.

Mr. NOWAK. Thank you very much, Mrs. Bentley.

I think you bring up a very good point. We walked around several of the initiatives that have been available. When you look at EDA and you think about where this economy is going and realize that the kinds of problems that Congresswoman Bentley has in her district exist in pockets all over this country.

You can look at those on a very narrow scale, and say, well, they can take care of themselves. Perhaps the port and the steel plant that employed an awful lot of people in her area has been displaced because of the steel brought in from Brazil, Japan, Taiwan, and other places in Europe. Yet we say that is progress because it helps us in the fight against inflation. But it doesn't help Congresswoman Bentley's unemployed people who now are either looking for other manufacturing jobs, which probably are not available, or will turn to the service sector and try to displace somebody in the

service sector who will then be bumped down to the unemployment dole.

We see that more and more in areas that once were prospering. We keep looking at EDA as a catalyst here, and not in terms of money. The development strategy that an area can put together, I think, can really be moved forward very quickly with a minimum amount of money along with the participation of a good EDR. A good regional office that takes an interest in an area and has a wider perspective and association with the full Washington force, knows what can move into an area, what the infrastructure is like, what needs to be improved, and how to attract a different range of people and businesses to try to at least offset some of this loss.

We talk about all of the different programs that are available. People speak in terms of EDA conflicting with UDAG, or EDA conflicting with general revenue sharing or that EDA has the same purpose as community development block grants, but as far as I can see they are completely different.

Community development block grant funds, are used here, and some of that is used there, but it is used on an ad hoc basis. There is no overall planning. The same holds true with the general revenue sharing dollars.

Here we have the ability, whether you use title I or title IX, in conjunction with the area economic development agency, and working with an EDR to look at an area and try to put an overall strategy together using other Federal programs in concert with private development money that is sitting out there that perhaps needs 50 percent or 40 percent, or sometimes 25-percent leverage into a particular project.

EPA provides the ability, at least, to have somebody there with an overall view, and I think a much more important role than we give them credit for, because they can bring into an area something that perhaps the area can't bring together by themselves. It is another unifying voice over, perhaps, a lot of diverse voices in an area. Once those broad decisions are made, that EDR should be able to work through and look at the private resources that are there, and the State resources that in many instances are there. You have development bonds in almost every area, you have State development bonds, you have a New York UDC, and that could be used much more heavily than any "front end" grant money by this agency.

At least we would have some Federal participation in the process, and somebody who I think could do a lot better job of bringing together all of those resources that are now so scattered.

We say, we are going to cut out UDAG, and we are going to cut out revenue sharing, and we are going to reduce greatly the community development block grant funds. If you do that, all the more reason why we should have some Federal presence there, even as limited as EDA is now, to try to combine what is left in the private sector, what is there in the State resources, and try to bring it all together in that unified plan so that something can be done. Something can be told to these steelworkers that are floundering out there now, the autoworkers that worked for 10 or 15 years, who are 40 or 45 years old.

We tell them, well, go and be educated, and we will make you a computer analyst, but it is very difficult to go back to 4 years of college. A few are going to do that. Besides the training programs, I think there is a tremendous need for at least a Federal presence and the coordination of the immense array of packages that are out there that nobody can put together that are all done now on an ad hoc basis. A common strategy is needed so that A is not fighting B and C and D in the area.

I think that an effective EDR could play a very important role in unifying and bringing that kind of a program to an area because he will have not only the local and the State resources, but he will have the Federal resources to work with.

I want to develop a mechanism so that we can monitor the progress of the Agency on a month to month basis, and the only way I can see of doing that is to suggest that this committee be sent monthly reports as to your progress in the different titles and the grants as they come forward. Otherwise I think that it is very difficult to come back in a year and to find that there were two grants that were awarded out of $150 million of authority. If we did it on a month-to-month basis, we could keep up and we could have an opportunity then to discuss on a monthly interval the progress of the Agency, where you are having trouble, and if we can participate in removing any obstacles to any programs that you are running with. Would that be an available alternative, Mr. Bateman, because it will be your responsibility.

Mr. BATEMAN. We would welcome the opportunity to advise you on a monthly basis. We could meet with your staff later this week to discuss what kind of reporting you would like to have, the format for the best use of the committee.

Mr. NOWAK. We will certainly set that up very quickly. Mr. Clinger.

Mr. CLINGER. Thank you, Mr. Chairman.

We have discussed at some length the use of revolving loan funds and their role in economic development. One of the suggestions that has been made in the past as to the use of revolving loan funds at the local level is that they might have the authority to guarantee loans. At the moment, they are limited to direct loans.

I have some question about whether that would be a useful or wise extension of authority to permit a loan guarantee. Obviously, a loan guarantee at the Federal level has the full faith and credit of the U.S. Government behind it, which would not be the case presumably of a local revolving loan fund. But I would like to know what your experience with the loan guarantee has been, and perhaps an opinion as to whether you think it would be appropriate to extend the right to guarantee loans to local administrators of revolving loan funds.

Ms. NEWMAN. Mr. Clinger, I think that it is an interesting proposition, but I don't believe we have had an adequate opportunity to really assess what the experience might be if that were possible. If you don't mind, I would like to spend some time with the staff establishing a review of that proposal, and we would be happy again to meet with you or your staff to discuss this in greater detail.

I think that it is worthy of consideration, but very, very careful review. It is not without its complexities.

Mr. CLINGER. We would very much appreciate having the input of the Agency because you probably have more experience in dealing with the revolving loan funds than anybody. It would be helpful to have that input.

One final question. Last month, the Readers' Digest did a hatchet job on EDA. Philosophical differences aside, this was really an attack on the administration of the Agency over a long period of time, singling out specific projects that may have been maladministered, et cetera. My personal feeling was that it was an unfair treatment of that subject. We may disagree on what the role of the Federal Government is in economic development, but I think that this was singling out specific faults, errors, omissions, or commissions by the Agency. I wanted to give you an opportunity to respond as to whether you thought it was indeed a fair evaluation of the agency or not.

Ms. NEWMAN. Mr. Clinger, the reporter who wrote the story invited me to comment, and I chose not to comment with the reporter.

Let me just say, in response to your invitation and your question, that in my view much of the information that was reported in that article was considerably dated. The projects cited were as much as ten years old, and do not reflect the way that the Agency and the program is being administered, at least not to the best of my knowledge today.

I feel confident in leaving the agency as a well-run, efficient operation, and I believe that the staff throughout the Agency are doing their very best to be certain that appropriate controls are being exercised throughout the entire scope of the program. I do not believe the article reflected that fairly.

Mr. CLINGER. I share your assessment of that article. I just want, in conclusion, to say how much we appreciate your testimony, and more importantly how grateful we are for the exellent leadership that you have given to the Agency over the last year. I only wish that it could have been longer, but I wish you the very best.

Ms. NEWMAN. Thank you very much.

Mr. Chairman, let me just say in response to your earlier comment that like you, I believe there is an appropriate role for Federal involvement in these kinds of economic development activities throughout the country. Unfortunately, we are in a situation of very limited resources, and priorities must be established and, of course, that is the role of the Congress. I am confident, despite how difficult establishing those priorities might be, that this Congress will work very hard to make sure that the Federal investment in programs and projects like the ones we have been discussing today will be wisely administered throughout the scope, and that there will be a minimum of duplication in our effort.

Those areas of the country that are still lagging behind in our economic recovery need the kind of catalyst and incentive that this program provides. However, we should not lose sight of the fact that, indeed, our resources are limited and that the deficit that we face in this country also has a negative effect on the very kind of economic development that we are trying to create and improve in the affected areas.

So I wish you all well in the execution of your responsibilities. Yours is not an easy task in establishing those priorities. I am confident that the staff at EDA will continue to work closely with you to provide you with any information that they might that will make your job that much easier.

Again, it has been my privilege to serve in this position, and I appreciate very much what each and every one of you, and your respective staffs, have done to make my tenure at the Economic Development Administration as meaningful and satisfying as it has been.

Thank you.

Mr. NOWAK. Thank you very much. I am sure you are aware, and everyone has expressed it, that we wish you well in your new quest in your home State. We will certainly be looking forward to working with your well-trained staff over this next year.

I think, if I am assessing the situation correctly, this may be the Agency to have a minimal presence out there in the economy to try to make the economic adjustments necessary. It has a staff that has had experience in this area, and I really foresee, no matter what we do with the budget, a greater need for this type of adjustment in our economy as we move forward in these next 2 years. I think that it is even going to be more important than it has been for the last 10 or 15 years.

So we look forward to new thought. Certainly we are open to any way that we can make this program the catalyst that I think it can become. This minimal Federal presence can accomplish a great deal in the subregions that either have not come up or have gone down because of the free market system, and its critical nature.

Thank you. Congratulations again on your new job, and for your splendid work at EDA. Thank you very much.

Ms. NEWMAN. Thank you very much.

Mr. NOWAK. The subcommittee now adjourns.

[Whereupon, at 1:11 p.m., the subcommittee adjourned.]

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